

Date: April 8, 2014

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Marvin G. Williams, Director of Public Works
Subject: FY2015 Stormwater Rate Increase

Executive Summary

In order to continue retrofit program development in the Falls Lake watershed while maintaining required activities associated with the National Pollution Discharge Elimination System (NPDES) permit, the administration recommends adoption of a stormwater rate increase of 7.5% effective July 1, 2014. This increase is lower than the City Council adopted budget development guidance of 8.5%. Changes to stormwater utility rates require a public hearing under applicable State law.

The stormwater fund is a utility in that it receives no tax support for stormwater related activities. Current rates for all residential tiers and non-residential are “middle of the pack” when compared with benchmark cities that have stormwater fees. The proposed increase of 7.5% supports increased capital funding of stormwater retrofits to comply with the Falls Lake Stage I existing development requirements. Project funding for the South Ellerbe Creek wetland (former Duke Diet Fitness Center) as well as nitrogen and phosphorous credit purchases are included in the FY 15 stormwater rate increase.

Customer bill impacts of this increase will average:

Tier	Current Monthly Rate	Proposed Monthly Rate	Monthly Increase	Annual Increase
1 – Residential	\$3.03	\$3.26	\$0.23	\$2.76
2 – Residential	\$6.28	\$6.75	\$0.47	\$5.64
3 – Residential	\$12.58	\$13.52	\$0.94	\$11.28
Avg. All Non-Residential *	\$122.12	\$131.26	\$9.14	\$109.68
ERU*** Based – Per ERU	\$6.28	\$6.75	\$0.47	\$5.64

** Includes ERU based monthly, bimonthly and HOA's.*

Note: There is a significant range of actual billing amounts in non-residential bills as they are based on the actual number of ERUs. Residential bills are annual with customer option for monthly billing.

**** ERU is defined as 2,400 sq. ft. of impervious surface.*

Recommendation

The Administration recommends the City Council:

- 1) Hold a public hearing to receive comment on the proposed stormwater rate increase.
- 2) Adopt an ordinance to change the Fee Schedule revising stormwater rates effective on July 1, 2014.

Background

The City of Durham's Stormwater Fund supports repair, operation and maintenance of the publicly-owned stormwater system within the City, and funds programs intended to protect water quality as required by the City's NPDES permit and various state regulations, including nutrient management strategies.

The City has a long history of water quality protection, from the mid 1980's to today's Falls and Jordan Lake rules. The City adopted state water supply watershed protection rules in 1994 as the City was also preparing an application for its NPDES municipal stormwater permit. The stormwater utility ordinance was adopted in June 1994, and the permit was issued December 1994. The permit has been renewed and revised in 2007 and 2013. The City's NPDES permit describes the programs and measures the City is required to implement. Under the state Neuse Basin nutrient management strategy, the City adopted an ordinance regulating nutrients from new development in 2001, and modified existing programs to focus greater emphasis on nitrogen and phosphorous. Citywide water quality protection standards for land development were adopted in 2009, and further refined in 2010, with final adoption of state-approved Falls and Jordan Lake new development requirements in 2012. The Falls and Jordan Lake rules differ from prior rules as they include requirements for treatment of stormwater from existing developed land. Both sets of rules include multiple stages of implementation. The first regulatory deadline is for Falls Lake stage I which is currently estimated to cost \$35-45 million. The fiscal note prepared by the state for phase II of the Falls Lake existing development rule is estimated to cost \$965 million. Additional reductions will be required for Jordan Lake; cost estimates will be prepared after the City and other jurisdictions have been assigned reduction goals.

The FY 15 stormwater rate increase is directly linked to capital funding requests for projects that will assist with meeting stage I nutrient reduction requirements for Falls Lake. Implementation of capital projects will be based on the most cost effective options available. Project funding for the South Ellerbe Creek wetland (former Duke Diet Fitness Center) as well as nitrogen and phosphorous credit purchases are included in the FY 15 stormwater rate increase.

Current projects include an algae turf scrubber pilot implementation project and a regenerative stormwater conveyance project. The City has adopted a resolution in support of the Falls Lake consensus principles (resolution #9707) which recognizes that meeting the stage I nutrient reduction is important to maintaining the water quality in Falls Lake below North Carolina state route 50. There are no current estimates for Jordan Lake existing development rule implementation at this time. The Jordan Lake rules have been delayed until 2017 by the NC General Assembly.

Alternative(s)

The Council can choose to adopt the stormwater rate increase of 7.5% which is the staff recommendation. The Council can choose to delay the rate increase for one year in favor of an expected larger increase in FY2016 and beyond. The CIP projects contribute to NPDES and state required water quality activities.

Financial Impact

This rate increase will produce approximately \$1,013,556 in new revenues annually.

SDBE Summary

Not applicable, there are no SDBE requirements associated with this action.

Attachments

Ordinance – Rate Change

Presentation

2013 NPDES Permit

Resolution #9707 (Falls Lake Consensus Principles)